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CHESAPEAKE ENERGY CORP.  
ATTN: RECORDING TEAM  
P.O. Box 18496  
Oklahoma City, OK 73154

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D208467180

**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.**

Producers 88 (4-89) — Paid Up  
With 640 Acres Pooling Provision

## **PAID UP OIL AND GAS LEASE (No Surface Use)**

THIS LEASE AGREEMENT is made this 10th day of September, 2008, by and between Charles A. Palermo and J. Clyde Boykin, Jr., P. O. Box 121381, Fort Worth, Tx, 76121, as Lessor and CHESAPEAKE EXPLORATION, L.L.C., an Oklahoma limited liability company, P.O. Box 18496, Oklahoma City, Oklahoma 73154-0496, as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called the leased premises:

0.286 acres of land, more or less, situated in the N. B. Breeding Survey, A-189, and being more particularly described as Blk 4-R, Lot 27, out of the Jenkins Heights Addition an addition to the City of Fort Worth, Texas, and being more particularly described in that certain Warranty Deed dated 3/15/1983 and recorded in Volume 7470, Page 1406 of the Deed Records of Tarrant County, Texas

in the county of Tarrant, State of TEXAS, containing 0.286 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas. For purposes of this lease, "oil and gas" means oil, gas and other liquid and gaseous hydrocarbons and their constituent elements produced through a well bore. "Oil" includes all condensate, distillate and other liquid and gaseous hydrocarbons produced through a well bore. "Gas" includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. Expressly excluded from this lease are lignite, coal, sulfur and other like minerals. In addition to the above-described leased premises, this lease also covers all accretions, strips and gores, streets, easements, highways and alleyways adjacent thereto, and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of **Three (3) years** from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be **Twenty-Five and Twenty Five One Hundredths Percent (25.25%)** of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be **Twenty-Five and Twenty Five One Hundredths Percent (25.25%)** of the proceeds realized by Lessee from the sale thereof, computed at the point of sale, less only a proportionate part of ad valorem taxes and production, severance, or other excise taxes, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of either producing oil or gas or other substances covered hereby in paying quantities or such wells are waiting on hydraulic fracture stimulation, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut-in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of twenty-five dollars (\$25.00) per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. A well that has been drilled but not fraced shall be deemed capable of producing in paying quantities as long as it is fraced within one (1) year of reaching total depth. Notwithstanding anything to the contrary herein, it is expressly understood and agreed that after the expiration of the primary term, Lessee shall not have the right to continue this lease in force by payment of shut-in royalty for more than two (2) consecutive years or three (3) years in the aggregate.

4. All shut-in or other royalty payments under this lease shall be paid or tendered to Lessor at lessor's address above or its successors. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor by deposit in the US Mails in a stamped envelope addressed to Lessor at the last address known to Lessee shall constitute proper payment. If Lessee designates a depository agent and the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

5. Except as provided for in Paragraph 3. above, if Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances (a) to develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be brought in on land within 400 feet from any boundary of the leased premises, Lessee agrees within ninety (90) days from commencement of production from such well or wells to commence the actual drilling of an offset well or wells on the leased premises if such action would be taken by a reasonable prudent operator in similar circumstances. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease

compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder to transform the product into marketable form; however, notwithstanding anything contained herein to the contrary, any such costs which result in enhancing the value of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production so long as they are incurred in an arms-length transaction with a party that is not an affiliate of Lessee and are based on Lessee's actual cost of such enhancements. However, in no event shall Lessor receive a price that is less than, or more than, the price received by Lessee. As used herein, "affiliate" means (i) a corporation, joint venture, partnership or other entity that owns more than ten percent (10%) of the outstanding voting interest of Lessee or in which Lessee owns more than ten percent (10%) of the outstanding voting interest; or (ii) a corporation, joint venture, partnership or other entity in which, together with Lessee, more than ten percent (10%) of the outstanding voting interest of both the Lessee and the other corporation, joint venture, partnership or other entity is owned or controlled by the same person or group of persons. It is the intent of the parties that the provisions of this Paragraph 18 are to be fully effective and enforceable and are not to be construed as surplusage under the principles set forth in *Heritage Resources v. NationsBank*, 939 S.W. 2d 118 (Tex. 1997).

19. This lease may be executed in counterparts, each of which is deemed an original and all of which only constitute one original.

20. Noise levels associated with Lessee's operations related to the drilling, completion and reworking of wells shall be kept to a reasonable minimum, taking into consideration reasonably available equipment and technology in the oil and gas industry, the level and nature of development and surface use elsewhere in the vicinity of Lessee's drill sites and the fact Lessee's operation are being conducted in or near an urban residential area. If Lessee utilizes any non-electric-powered equipment in its operations, Lessee shall take reasonable steps to muffle the sound therefrom by installing a noise suppression hospital-style muffler or like equipment.

21. Indemnity. Lessee hereby releases and discharges Lessor and the owner of the surface estate, along with their officers, employees, partners, agents, contractors, subcontractors, guests and invitees, and their respective heirs, successors and assigns (collectively the "Lessor Parties"), of and from all and any actions and causes of action of every nature, or other harm, including environmental harm, for which recovery of damages is sought, including, but not limited to, all losses and expenses which are caused by the activities of Lessee, its officers, employees and agents arising out of, incidental to or resulting from, the operations of or for Lessee on or under the leased premises or at the drill site or operations site, or that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this lease, or by any other negligent or strictly liable act or omission of Lessee. Further, Lessee hereby agrees to be liable for, exonerate, indemnify, defend and hold harmless the Lessor Parties against any and all claims, liabilities, losses, damages, actions, property damage, personal injury (including death), costs and expenses, or other harm for which recovery of damages is sought, under any theory including tort, contract, statute or strict liability, including reasonable attorney fees and other legal expenses, including those related to environmental hazards on or under the leased premises or at the drill site or operations site or in any way related to Lessee's failure to comply with any and all environmental laws; those arising from or in any way related to Lessee's operations or any other of Lessee's activities in, on or under the leased premises or at the drill site or operations site; those arising from Lessee's use of the surface or subsurface of the leased premises; and those that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this lease or any other act or omission of Lessee, its directors, officers, employees, partners, agents, contractors, subcontractors, guests, invitees and their respective successors and assigns. Each assignee of this lease, or of an interest herein, agrees to be liable for, exonerate, indemnify, defend and hold harmless the Lessor Parties in the same manner provided above in connection with the activities of Lessee, its officers, employees and agents as described above. EXCEPT AS OTHERWISE EXPRESSLY LIMITED HEREIN, ALL OF THE INDEMNITY OBLIGATIONS AND/OR LIABILITIES ASSUMED UNDER THE TERMS OF THIS LEASE SHALL BE WITHOUT LIMITS AND WITHOUT REGARD TO THE CAUSE OR CAUSES THEREOF (EXCLUDING PRE-EXISTING CONDITIONS), STRICT LIABILITY OR THE NEGLIGENCE OF ANY PARTY OR PARTIES (INCLUDING THE NEGLIGENCE OF THE INDEMNIFIED PARTY), WHETHER SUCH NEGLIGENCE BE SOLE, JOINT, ACTIVE, PASSIVE OR CONCURRENT SO LONG AS LESSOR'S CONCURRENT NEGLIGENCE IS NOT MORE THAN FIFTY PERCENT (50%) OF THE PRODUCING CAUSE OF THE DAMAGES SUFFERED; provided, however, that Lessee shall have no obligation to indemnify or hold Lessor harmless from any cost, expense or liability which may arise or result from the gross negligence or willful misconduct of Lessor. By commencing any operations pursuant to this lease, Lessee shall acknowledge its consent to the terms of this Section 21.

22. At all times while this Lease is in force, Lessee shall acquire and maintain insurance covering all of its operations on the leased premises, including any work performed on its behalf by contractors, subcontractors and others. The policies shall include coverage for comprehensive general liability for bodily injury and property damage with a limit of \$ 3,000,000, blowout and loss of well coverage, and coverage for any damage to the environment resulting from a blowout, including coverage for the cost of clean up and surface remediation, with a limit of \$ 3,000,000. In addition, Lessee shall maintain an Umbrella Liability policy in the amount of \$ 25,000,000. All such policies shall name the Lessor as an additional insured and will provide for a 30 day notice of cancellation. Upon written request, Lessee shall furnish a certificate from the issuing insurance company or companies evidencing the coverage. Lessee may self insure for up to \$ 5,000,000 with respect to the insurance coverage required of Lessee, provided that the tangible net worth of Lessee is, at all times while self-insurance is in effect, in excess of \$ 1,000,000,000.

23. Lessor acknowledges that the terms of this lease, the amount of royalty and bonus paid hereunder, and other other terms negotiated with Lessee with respect to this lease (the "Negotiated Terms") were obtained as a result of negotiations between Lessee and a committee of unpaid volunteers, including Carla Bezner, Don Corley, Jerry Welch and Mattie Kitchens (the "Lake Worth Gas Lease Committee"). In consideration of the efforts of the Lake Worth Gas Lease Committee in negotiating and obtaining the Negotiated Terms, Lessor, individually and on behalf of Lessor's agents, representatives, family members, predecessors, successors, heirs and assigns, hereby releases and forever discharges the Lake Worth Gas Lease Committee, and any of its members, agents, and representatives, specifically including any attorneys engaged by the Lake Worth Gas Lease Committee to facilitate the negotiation and preparation of lease terms (the "Lake Worth Releasees"), of and from any and all claims, demands, obligations, losses, causes of action, costs, expenses, attorney's fees, and liabilities of any nature whatsoever, whether based on contract, tort, statute or other legal or equitable theory of recovery, whether known or unknown, which Lessor has, has had, or claims to have against the Lake Worth Releasees, which arise out of or relate to (a) the Negotiated Terms, (b) the negotiation of the Negotiated Terms, or (c) the inclusion and/or omission of any terms within the Negotiated Terms. Lessor further acknowledges and represents that (a) the Lake Worth Releasees have not acted as Lessor's agent in connection with this lease; (b) Lessor, in making the decision to enter into this lease, has not relied upon any statements or representations, if any, of the Lake Worth Releasees regarding the terms of this lease; and (c) Lessor's decision to enter into this lease is the independent and voluntary decision of Lessor after being given the opportunity to have said lease reviewed by counsel of Lessor's choosing.

24. As stated above, the land covered by this lease shall include all strips and gores, streets, easements, highways and alleyways adjacent thereto. Accordingly, and notwithstanding anything to the contrary herein, the acreage of said land covered by this lease shall be calculated to the center of any adjacent streets, highways or alleyways for purposes of calculating and paying any bonus or royalty if it is determined that lessor owns such additional acreage.

**DISCLAIMER OF REPRESENTATIONS:** Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered into this lease without duress or undue influence. Lessor recognizes that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor would get the highest price or different terms depending on future market conditions. Neither party to this lease will seek to alter the terms of this transaction based upon any differing terms which Lessee has or may negotiate with any other lessors/oil and gas owners.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

LESSOR (WHETHER ONE OR MORE)

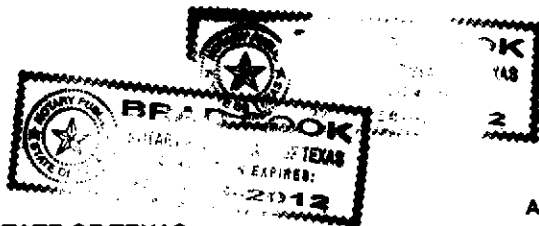
  
Charles A. Palermo

  
Clyde Boykin, Jr.

ACKNOWLEDGMENT

STATE OF TEXAS  
COUNTY OF TARRANT

This instrument was acknowledged before me on the 11<sup>th</sup> day of September, 2008, by Charles A. Palermo  
X CHARLES A PALERMO



Notary Public, State of Texas

Notary's name (printed):

BRAD COOK

Notary's commission expires:

4-25-2012

ACKNOWLEDGMENT

STATE OF TEXAS  
COUNTY OF TARRANT

This instrument was acknowledged before me on the 11<sup>th</sup> day of September, 2008, by J. Clyde Boykin, Jr.  
J. Clyde Boykin Jr.



Notary Public, State of Texas

Notary's name (printed):

BRAD COOK

Notary's commission expires:

4-25-2012

CORPORATE ACKNOWLEDGMENT

STATE OF TEXAS  
COUNTY OF \_\_\_\_\_

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by \_\_\_\_\_ of \_\_\_\_\_ a \_\_\_\_\_ corporation, on behalf of said corporation.

Notary Public, State of Texas

Notary's name (printed):

Notary's commission expires:

RECORDING INFORMATION

STATE OF TEXAS

County of \_\_\_\_\_

This instrument was filed for record on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, at \_\_\_\_\_ o'clock \_\_\_\_\_ M., and duly recorded in

Book \_\_\_\_\_, Page \_\_\_\_\_, of the \_\_\_\_\_ records of this office.

By \_\_\_\_\_  
Clerk (or Deputy)

Record & Return to:  
Chesapeake Operating, Inc.  
P.O. Box 18-06  
Oklahoma City, OK 73154